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Policies and Procedures

Title: Severance Pay

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This DIRECTIVE provides information on Federal employees' eligibility for severance pay, how severance pay is computed, and how payment is made.

NOTE: Recent regulations issued by the Office of Personnel Management, now permit entitlement to severance pay to an employee if he/she accepts a position with a successor contractor within 90 days after his/her separation. Entitlement to severance pay will be lost if the employee refuses a "reasonable offer" of another position in ARS rather than an "equivalent position."

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1. REFERENCES

For guidance on reduction in force, see DIRECTIVE 425.2.

2. ABBREVIATIONS

- CFR - Code of Federal Regulations
- FICA - Federal Insurance Contribution Act
- FPM - Federal Personnel Manual
- GS - General Schedule
- NFC - National Finance Center
- OPF - Official Personnel Folder
- PD - Personnel Division
- PMRS - Performance Management Recognition System
- POB - Personnel Operations Branch, PD
- PPSB - Personnel Policy and Systems Branch, PD
- SES - Senior Executive Service

3. FORMS

- SF-50 - Notification of Personnel Action
- SF-1152 - Designation of Beneficiary (Unpaid Compensation of Deceased Civilian Employee)

4. DEFINITIONS

Basic Pay is the rate of pay fixed by law or administrative action for the position held by the employee, including annual premium pay for standby duty and night differential for prevailing rate employees, but not including additional pay of any other kind.

Commuting area is the geographic area that normally is considered one area for employment purposes. It includes any population center (or two or more neighboring ones) and the surrounding localities where people live and reasonably can be expected to travel back and forth daily to work.

Creditable Service for computing an employee's severance pay include the following:

- Civilian service performed by an employee.
- Service performed in the U.S. Postal Service or the Postal Rate Commission.
- Military service, including active or inactive training with the National Guard,

when performed by an employee who returns to civilian service through the exercise of a restoration right provided by law, Executive order, or regulation.

Immediate annuity is:

- A recurring benefit payable under a Federal civilian or military retirement system that begins to accrue within 1 month after separation; or
- An annuity for which the commencing date has been postponed in accordance with FPM Chapter 842.

Inefficiency is unacceptable performance or conduct that leads to a separation under performance-based or adverse action.

Involuntary Separation is a separation initiated by ARS against an employee's will and without his or her consent for reasons other than inefficiency, including a separation resulting from the expiration of a time-limited appointment effected within 3 calendar days after separation from a qualifying appointment. In addition, when an employee is separated because he or she declines to accept reassignment outside the commuting area, the separation is involuntary if the employee's position description or other written agreement does not provide for such reassignment. However, an employee's separation is not involuntary if, after such a written mobility agreement is added, the employee accepts one reassignment outside the commuting area, but subsequently declines another such reassignment.

Employees who resign because they expect to be involuntarily separated are considered to have been involuntarily separated if they resign after receiving:

- Specific written notice that they will be separated, and the notice of separation is not canceled before the resignation is effected, or
- A general written notice of reduction in force or transfer of function that announces that all positions in the competitive area will be abolished or transferred to another commuting area. It is ARS policy not to issue a general written notice. Therefore, an employee must be issued a specific written notice from the PD to be entitled to severance pay.

Nonqualifying appointment is an appointment with an intermittent work schedule, or is one of the following appointments regardless of work schedule:

- A Presidential appointment.
- An emergency appointment.
- An excepted appointment under Schedule C or under a noncareer executive

assignment; a noncareer appointment in the SES; or an equivalent appointment made for similar purposes.

- A time-limited appointment that is not made effective within 3 calendar days after separation from a qualifying appointment, including:
 - A term appointment.
 - A temporary appointment pending establishment of a register (TAPER).
 - An overseas limited appointment with a time limitation.
 - A limited term or limited emergency appointment in the SES, or an equivalent appointment made for similar purposes.
 - A limited executive assignment in accordance with FPM Chapter 305.

A qualifying appointment is:

- A career or career-conditional appointment in the competitive service or the equivalent in the excepted service.
- A career executive assignment.
- A career appointment in the SES.
- An excepted appointment without time limitations, except under Schedule C or under a noncareer executive assignment, or an equivalent appointment made for similar purposes.
- An overseas limited appointment without time limitation.
- A status quo appointment, including one that becomes indefinite when the employee is promoted, demoted, or reassigned.
- A time-limited appointment in the Foreign Service, when the employee was assigned under a statutory authority that carried entitlement to reemployment in the same agency, but this right of reemployment has expired.
- A time-limited appointment that takes effect within 3 calendar days after the end of one or more qualifying appointments.

Reasonable offer is the offer of a position that meets all the following conditions:

- The offer is in writing.

- The employee meets established qualification requirements for the position.
- The offered position is within ARS.
- The offered position is within the employee's commuting area, unless geographic mobility is a condition of employment.
- The offered position is of the same tenure and work schedule.
- The offered position is not lower than two grade or pay levels below the employee's current grade or pay level, without consideration of grade or pay retention. In movements between pay schedules or pay systems, the representative rate of the offered position must not be lower than the representative rate of the grade or pay level that is two grades below the grade of the current position on the same pay schedule as the current position.

Representative rate is:

- The fourth rate of the grade in the case of a position under GS, including the fourth rate of the corresponding grade of GS in the case of a position under PMRS, (for a special rate position, it is the fourth rate of the special rate schedule), the single rate of GS-18, or the individual's rate under the SES.
- The second rate of the grade of a position under a regular prevailing rate schedule, or in the case of a position with a single rate, the single rate of the position; or
- The rate designated as representative of the position by the agency responsible for establishing and adjusting the schedule in the case of a position under a schedule different than those covered in above two bulleted paragraphs.

Severance pay fund is the total severance pay to which an employee is entitled during a single entitlement. It includes a basic severance pay allowance and, where applicable, an age adjustment allowance.

5. AUTHORITIES

- 5 CFR Part 550
- FPM Chapter 305
- FPM Chapter 550
- FPM Chapter 842
- FPM Supplement 990-2

6. POLICY

It is ARS policy that all severance pay actions will be made in accordance with regulation and provisions of this DIRECTIVE.

7. RESPONSIBILITIES

PD:

- PPSB is responsible for:
 - Ensuring that the guidance provided on severance pay is current and accurate.
 - Resolving policy issues related to severance pay.
- POB is responsible for:
 - Ensuring that employees entitled to severance pay, do indeed receive severance pay.
 - Determining the eligibility of the separated employee for severance pay, computing the amount of the severance pay fund, the weekly rate of severance pay, the number of weeks it will require to exhaust the fund, and the date payment begins.
 - Notifying the paying agency when an employee is reemployed on a qualifying appointment or when an employee's severance pay should be suspended because of appointment on a nonqualifying temporary appointment.
 - Maintaining records, by fiscal year, of the number of employees who receive severance pay and the total amount of severance pay paid. When entitlement to severance pay arises as the result of contracting a Federal function to a private contractor, records must be maintained that reflect the number of separated employees who go to work for the contractor within 90 days after the effective date of the contract.

The separated employee who is receiving severance pay must notify POB:

- Of any change in current check mailing address as it is on record at NFC.
- Of any Federal employment accepted before the expiration of the period covered by payments of severance pay.

8. ELIGIBILITY FOR SEVERANCE PAY

To be eligible for severance pay, an employee must:

- Be serving under a qualifying appointment.
- Have completed at least 12 months of continuous service as described in Section 10.

Be removed from Federal service by involuntary separation.

9. EXCLUSIONS FROM SEVERANCE PAY

An employee is not eligible for severance pay if he or she:

- Is serving under a nonqualifying appointment.
- Declines a reasonable offer.
- Is serving under a qualifying appointment in an agency scheduled by law or Executive order to be terminated within 1 year after the date of the appointment, unless on the date of separation, the agency's termination has been postponed to a date more than 1 year after the date of the appointment, or the appointment is effected within 3 calendar days after separation from a qualifying appointment.
- Is receiving injury compensation, unless the compensation is being received concurrently with pay or is the result of someone else's death.
- Is eligible upon separation for an immediate annuity from a Federal civilian retirement system or from the uniformed services. Such an employee is ineligible even if all or part of the annuity is offset by payments from a non-Federal retirement system the employee elected instead of Federal civilian retirement benefits or disability benefits received from the Department of Veteran Affairs.

10. REQUIREMENT FOR 12 MONTHS OF CONTINUOUS EMPLOYMENT

The requirement for 12 months of continuous employment is met if, on the date of separation, an employee has held one or more civilian Federal positions over a period of 12 months without a single break in service of more than 3 calendar days. The positions held must have been under:

- One or more qualifying appointments, or

- One or more nonqualifying temporary appointments that precede the current qualifying appointment.
- When a break in service that is covered by severance pay interrupts otherwise continuous Federal employment, the entire period is considered continuous service.
- The period during which an employee receives continuation of pay or compensation for an injury on the job is considered continuous Federal service.

11. COMPUTATION OF SEVERANCE PAY

Severance pay consists of a basic severance allowance and an age adjustment allowance.

- Basic severance allowance is computed as follows:
 - One week's basic pay at the rate of basic pay for the position held by the employee at the time of separation for each full year of creditable service up to and including 10 years.
 - Two weeks of pay at the rate of basic pay for the position held by the employee at the time of separation for each full year of creditable service beyond 10 years.
 - In computing years of creditable service, the employee will be credited with 25 percent of a year for each full 3-month (90 days) segment the employee's service exceeds a full year at the time of separation. Periods of less than 90 days are dropped in the computation.
- Basic severance pay allowance for employees with variable work schedules or rates of pay.

The basic severance pay allowance is computed on the basis of the average rate of basic pay for the last position held during the 26 biweekly pay periods immediately preceding separation for an employee in any of the following types of positions:

- In which the work schedule regularly varies from full-time to part-time throughout the year.
- In which the rate of annual premium pay for standby duty varies throughout the year.

- Under a prevailing rate schedule in which the work schedule regularly alternates between a day shift and a night shift throughout the year.
- Age adjustment allowance is 2.5 percent of the basic severance pay allowance for each full 3 months of age over 40 years.

Example of Computation of Severance Pay:

An eligible employee 45 years of age is separated after 15 years of creditable service. Rate of basic compensation immediately prior to separation was \$300 per week. Severance pay is computed as follows:

Basic Severance Allowance:	$\$300 \times 10 =$	$\$3000$
	$2 \times \$300 \times 5 =$	3000

		$\$6000$

Age Adjustment Allowance:	$6000 \times 2.5\% \times 20 \text{ quarters} =$	$\$3000$
	(5 years)	

Total Severance Fund:	$\$9000$
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No. Of Weeks Employee's severance Pay Will Run:	$\$9000 / \$300 \text{ per week} =$	30 weeks
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There is a lifetime maximum of 1 year that an employee may receive severance payments.

12. HOW PAYMENTS WILL BE MADE

An employee entitled to severance pay will be paid the same amount or the average rate of basic pay for the last position held during the 26 biweekly pay periods immediately preceding separation. Each payment must be equal to the employee's rate of basic pay, less taxes and Medicare, and when appropriate, contributions under FICA.

The servicing staffing specialist will determine the eligibility of the separated employee and prepare a Severance Pay Worksheet. Information recorded on the Worksheet will be entered in the NFC Payroll and Personnel System and will generate an official severance pay computation. All the information will be recorded on the Personnel Action (SF-50) effecting the separation.

NFC will mail severance pay checks to the separated employee's current check mailing address as it is on record in NFC.

NOTE: Funds for severance pay are obligated on a pay period to pay period basis, the same as salary.

13. EFFECT OF REEMPLOYMENT ON SEVERANCE PAY

If a separated employee is reemployed in the Federal government before the expiration of the period covered by severance pay, the payments will be discontinued beginning with the date of reemployment. Any service represented by the unexpired portion of the period covered by severance pay will be reccredited for use in any subsequent computations of severance pay.

NOTE: Servicing staffing specialists who hire an employee in receipt of severance pay should promptly notify the paying agency of the hire by telephone, with written confirmation later by transmission of a copy of SF-50.

If an employee again becomes entitled to severance pay, the agency in which entitlement arises must recompute the severance pay allowance on the basis of all creditable service and current age and deduct from the number of weeks it would take to exhaust the allowance the number of weeks for which severance pay previously was received.

14 SUSPENSION OF SEVERANCE PAY

When an employee receiving severance pay is given one or more nonqualifying temporary appointments, the severance pay is suspended on the day of the appointment. Severance pay begins again when the employee separates from the nonqualifying temporary appointment.

When an individual who is eligible for severance pay is given a nonqualifying temporary appointment before severance payments begin, the severance payments do not begin until the employee is separated from the temporary appointment.

NOTE: Servicing staffing specialists who hire an employee in receipt of severance pay should promptly notify the paying agency of the hire by telephone, with written confirmation later by transmission of a copy of SF-50.

15. SEVERANCE PAY BENEFITS TO SURVIVORS

If an employee dies before the expiration of the period covered by payments of severance pay, severance pay will continue as if the employee was living and will be paid on a pay period basis to the survivor or survivors in the following order of precedence:

First, to the beneficiary designated by the employee in writing, as evidenced by a properly executed SF-1152 on file in the OPF.

Second, if there is no such designated beneficiary, to the surviving spouse.

Third, if there is neither a designated beneficiary nor surviving spouse, to the employee's children and descendants of his/her deceased children.

Fourth, to the parents of the employee.

Fifth, if none of the above, to the employee's estate.

NOTE: If the employee dies before separation from ARS rolls, the survivors do not get severance pay since severance pay entitlement arises only at the time of separation.

16. TERMINATION OF SEVERANCE PAY ENTITLEMENT

Entitlement to severance pay ends when one of the following conditions is met:

- An employee is appointed to the Federal Government under a qualifying appointment.
- The severance pay fund is exhausted.
- The employee has received 1 year of severance pay.

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